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Thirty-ninth session
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Item 3 (b) of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Ms. Heather DOWSETT (New Zealand)

CHAPTER III. Financial, budgetary and administrative matters

B. Revised budget estimates for 1992-1993

1. For its consideration of agenda item 3 (b), the Budgetary and Finance Committee had before it the following documents:

Revised budget estimates for the biennium 1992-1993 (DP/1992/40);

Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1992/39).

2. The Assistant Administrator, Bureau for Finance and Administration, introduced the item by citing examples of the exciting new challenges before the United Nations system as a whole. These included critical contributions to emergency operations; UNDP's role in the electoral process in a number of countries; UNDP's role in reconstruction efforts; and the contributions being made throughout the world to the preparations of the Earth Summit.

3. It was against this background that the real cost of UNDP's global field network had to be assessed. UNDP would have been remiss in its duties if it had not brought to the Governing Council's attention the need to weigh the costs associated with performing these broader functions against the impact on the effectiveness of the system of not performing them at all. This consideration formed the basis for the Administrator's 1994-1995 budget strategy.

4. With regard to volume adjustments, the Administrator proposed an extension through the end of the biennium of the arrangements approved by the Governing Council in 1991 for the Humanitarian Programme. The Council approved one D-2 post and one P-5 post to be funded from the core budget through June 1992. UNDP had a vital role to play in supporting the Under-Secretary-General for Humanitarian Affairs, with whom the Administrator had consulted closely. The maintenance of existing arrangements in New York through the biennium would provide critical support to the United Nations.

5. The 1994-1995 budget strategy was based on the distinction between the continued commitment to contain core budgetary growth in line with overall core resources and the need to identify clearly those costs borne by UNDP not related to the delivery of the indicative planning figure (IPF).

6. The Administrator's strategy relating to core cost containment was based on three elements:

(a) The rationalization of business functions;

(b) Increasing the cost-effectiveness of business functions;

(c) Proposals relating to the human resource aspects of the management of change.

7. The Administrator had established a budget reduction target for the core 1994-1995 budget of some $30 to $40 million. Achieving the target would be painful but necessary.

8. A policy of budgetary discipline with regard to the core budget in relation to the delivery of the programme could not be viewed in isolation. No such discipline existed regarding the mandates and responsibilities placed on UNDP field offices. Such a discipline did not exist and should not exist because using the UNDP field office network was the most cost-effective mechanism for the United Nations system as a whole. However, UNDP could not be financially penalized for undertaking its coordination role and related functions. Moreover, the voluntary character of UNDP funding had to be

recognized in that connection. It was for those reasons that UNDP was proposing to identify separately for the consideration of the Governing Council those costs relating to non-IPF workload.

9. Regarding the Office for Project Services (OPS), the Assistant Administrator believed the analysis provided in the document demonstrated that UNDP had exercised a policy of budgetary restraint despite substantial growth in the programme. The rate of growth of the programme remained significantly higher than that of the budget. More specifically, total budgetary expenditure remained substantially lower than income earned. The Administrator's policy relating to OPS budgetary growth remained one of overall prudence. The acceptance of new projects was in conformity with the new project acceptance policy of OPS. Income was not a justification as such for the establishment of posts. However, it must be recognized that income was earned as a result of programme activity and programme activity necessarily involved workload. Finally, on the subject of OPS, the Assistant Administrator stressed the importance attached to the proposals amounting to $1.4 million relating to project management information requirements.

Summary of discussions in the Committee

10. Several delegations took note of the cost adjustments reflected in the proposed revised budget estimates. Many delegations expressed support for the continuation of the arrangements provided for in Governing Council decision 91/46 relating to the Humanitarian Programme until the end of the biennium. One delegation asked whether it would not be more appropriate to strengthen selected field offices to cary out more effectively programmes in the countries concerned.

11. Many delegations considered that the arrangements relating to the Humanitarian Programme should be maintained on a temporary basis pending the overall review to be undertaken by the Under-Secretary-General for Humanitarian Affairs. Several delegations questioned whether the Humanitarian Programme was any longer required, particularly in view of the developments in the United Nations. They considered that further justification was required to maintain existing arrangements. In particular, they questioned the need for the continuation of the senior post at the D-2 level.

12. All delegations welcomed the 1994-1995 budget strategy presented by the Administrator. A number of delegations stressed that the measures being proposed were a step in the right direction. Several delegations stressed the

need to reduce the ratio of General Service to Professional posts. A number of delegations welcomed the objective of achieving savings through the introduction and full utilization of more productive technologies.

13. Under the rationalization of business functions, one delegation sought further clarification of paragraph 21 (d) of document DP/1992/40 concerning the consolidation of programme management in the field. Most delegations welcomed the regional service concept. Several delegations stressed the need to avoid the creation of any additional bureaucratic layers, in particular in the decision-making process. One delegation noted the need to consider the establishment of regional service centres on a case-by-case basis in order to ensure that the objective of cost efficiency was achieved in each case. A number of delegations requested additional information on the financial implications of the different measures being proposed. Clarification was also sought on the distinction between the concept of regional service centres in the budget strategy and the concept as it related to the regional service centres proposed for the Commonwealth of Independent States.

14. Several delegations emphasized the importance of achieving savings in the high-cost offices. Various delegations stressed the need for the distribution of resources covering field offices to reflect the distribution of programme resources approved in decision 90/34 of 23 June 1990.

15. Many delegations addressed issues related to the Administrator's proposals regarding short-term, non-permanent contracts and reclassifications in the P-1 to P-5 categories. Most delegations stressed the importance of common system approaches to these issues and strongly endorsed the remarks of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) in this regard. A number of delegations supported the Administrator's proposals regarding short-term contracts on a pilot basis, bearing in mind the Administrator's overall budgetary strategy. Delegations noted that consultations with the International Civil Service Commission (ICSC) and in inter-agency forums had taken place and stressed the need for them to continue. Delegations emphasized the need for full reporting and transparency. One delegation requested the Administrator to provide information on contract length as well as on overall person months and total dollar value.

16. Regarding reclassification, delegations noted that the proposal had no financial implications but nevertheless expressed concern about the

possibility of grade creep. Overall, delegations again emphasized the need for common system-wide approaches, a number supporting the ACABQ recommendation that a decision be deferred until the General Assembly had considered the Secretary-General's report on posts, to be submitted to the General Assembly at its forty-seventh session.

17. One delegation stressed the need to streamline the senior-level posts at headquarters and requested the Administrator to submit a plan to reduce the number of such posts. The same delegation raised an issue relating to the practice of hiring consultants in New York with a remuneration similar to or higher than that of a D-2. He asked the Administrator to provide relevant information including the number of consultants and the duration and nature of the services provided. He requested that UNDP hold informal consultations on the question with interested delegations.

18. Many delegations supported the Administrator's proposals regarding increasing transparency relating to non-IPF workload in field offices. Several delegations requested the Administrator, in line with decision 91/46, to provide an analysis in 1993 of possible sources of financing for services provided by UNDP. A number of delegations expressed the view that UNDP should continue to fund those activities. One delegation requested detailed information regarding the nature of the services provided. Another delegation stressed the importance of streamlining and rationalizing the workload not related to the delivery of the IPF programme.

19. Many delegations took note of the proposed post increases in OPS and of the fact that the bulk of them were to be funded through extrabudgetary resources. One delegation asked about strategies (a) to increase the proportion of women used by OPS as international experts and consultants and in professional grades and (b) to increase the proportion of women taking up training awards.

20. Several delegations expressed agreement that OPS must be given, within its income, the tools to respond effectively to the demands placed upon it. Several delegations supported the Administrator's request for an additional $1.4 million for improvements in management information systems. One delegation sought clarification regarding the apportionment of costs for management information systems between budgetary and extrabudgetary funds.

21. On the other hand, several delegations noted with concern the continued growth of OPS. One delegation expressed concern at the volume increases in an

off-budget year which, as a matter of principle, should not be accepted. Reference was made, in that regard, to a corresponding decision in the United Nations Children's Fund (UNICEF).

22. Several delegations considered that the review submitted by the Administrator on the role of OPS, requested by the Governing Council in 1991, appeared inadequate. One representative requested a more detailed review of the role of OPS in the context of a restructured system of operational activities.

23. A number of delegations took note of the Administrator's proposals relating to the Inter-Agency Procurement Services Office (IAPSO). Several delegations expressed the need for a more concerted effort to be made to achieve savings through the merger of the administrative and other functions of the funds. They indicated that the subject should be kept under review.

Response of the Administration

24. The Administration stressed the close cooperation being pursued between the new office of the Under-Secretary-General for Humanitarian Affairs and the UNDP Humanitarian Programme. It explained the importance of the role the Humanitarian Programme could play during the existing transition period. It also noted the critical role envisaged for Resident Coordinators and the importance of the emergency to development continuum, as reflected in General Assembly resolution 46/182.

25. The Administration provided a number of clarifications regarding the proposed 1994-1995 budget strategy. The reference made in paragraph 21 (d) of document DP/1992/40 to the consolidation of programme activities related to the administrative implications of the adoption of the programme approach. On regional service centres, the Administration explained that there was no intention of introducing a new bureaucratic layer, and that the objective was to achieve better outreach and increased cost-effectiveness. The Administration further explained that the concept in general related to decentralizing from headquarters, but in the case of the Commonwealth of Independent States, the concept was to regionalize the provision of administrative services.

26. Regarding the proposals for short-term contracts, the Administration expressed full support for the view that these matters must be dealt with in consultation with ICSC and in inter-agency forums. The Administration reiterated that the person months and dollar value of proposed contracts by

organizational unit would be included in the 1994-1995 budget estimates. It also noted that the new contracts would be reviewed by the United Nations Office for Legal Affairs.

27. Regarding reclassification, the Administration stressed that the proposal had no financial implications. The proposal was required as a management tool to form an integral part of the budget strategy. The Administration noted that the reviews undertaken over the last few years in field offices had led overall to a reduction in the level of posts. It further noted that reclassification would be undertaken in the context of structured reviews and would be consistent with common system approvals. It stated that the Committee would be provided with a performance report that would enable it to make a clear assessment as to the way in which any delegated authority had been used.

28. On the hiring of consultants in New York, the Administration agreed to provide interested delegations with the information requested and said that UNDP would hold informal consultations with interested delegations.

29. Responding to specific issues raised in relation to OPS, IAPSO and the Funds, the Administration stated with regard to OPS that a distinction had long been observed between core budgetary requirements and the needs of an implementing agency which had to be programme driven. That was why, for the last 10 years, OPS had been delegated the authority to approve posts within income. The Assistant Administrator, OPS, took note of the comments related to the employment of women and undertook to continue the efforts made to improve performance in that regard. The Administration undertook, as requested, to keep in mind the possibility of savings from the merger of the administrative functions of the Funds under review.

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ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Ms. Heather DOWSETT (New Zealand)

CHAPTER III. Financial, budgetary and administrative matters

B. Revised budget estimates for 1992-1993

ANNEX

The Governing Council,

Having considered the revised 1992-1993 biennial budget estimates of the United Nations Development Programme and the funds administered by the United Nations Development Programme,

Takes note of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1992/39)

1. Approves the cost adjustments reflected in the revised estimates;

2. Approves the continuation of one core post (at the P-5 level) for the Humanitarian Programme until the end of the 1992-1993 biennium and decides to apply the same procedure to the existing D-2 post in the Humanitarian Programme on a transitional basis;

3. Decides, in this context, to review the staffing level of the Humanitarian Programme, stressing the need for a clear division of responsibility between the Department for Humanitarian Affairs and the United Nations Development Programme Humanitarian Programme, bearing in mind decisions 92/... and 92/....;

4. Welcomes the Administrator's 1994-1995 budget strategy, including the proposed volume reduction of $30-40 million; and in order to give priority to the allocation of resources for programming and to protect fully the integrity of the United Nations Development Programme, strongly urges the Administrator to aim to achieve the maximum possible savings;

A

5. Requests the Administrator, in this regard, to take into account the following issues in particular:

(a) The need to ensure that regional service centres do not introduce a new bureaucratic layer nor duplicate headquarters functions;

(b) the need to reduce significantly the ratio of General Service to Professional staff, bearing in mind the introduction of improved management information systems technology;

6. Requests the Administrator to report fully to the Governing Council at its fortieth session on action taken in response to decision 91/46, and in particular to paragraph 12 of that decision;

7. Requests the Administrator to include in his report the possibility of closing field offices or making more use of regional offices;

B

8. Takes note of the comments of the Advisory Committee on Administrative and Budgetary Questions contained in paragraphs 17 to 21 of document DP/1992/39 and stresses the importance of common system-wide approaches on personnel entitlement issues;

9. Approves on a pilot basis the Administrator's proposals contained in paragraphs 25 to 29 of document DP/1992/40 relating to short-term non-permanent contracts;

10. Requests the Administrator to consult with the International Civil Service Commission and in appropriate inter-agency forums on the implementation of the pilot arrangement;

11. Requests the Administrator to provide an interim report in 1993 and a comprehensive report in 1994 on experience gained and on his consultations with the International Civil Service Commission.

C

12. Takes note of the comments of the Advisory Committee on Administrative and Budgetary Questions in paragraphs 22 and 23 of document DP/1992/39 and stresses the importance of common system-wide approaches on job-classification issues;

13. Decides that the Administrator's reclassification proposal contained in paragraphs 31 and 32 of document DP/1992/40 should have no adverse financial implications and should not lead to grade creep;

14. Also takes note of the fact that the proposal is an integral and critical part of the Administrator's budget strategy;

15. Approves on a pilot basis, for one year, the Administrator's proposals relating to reclassification;

16. Decides to review the implementation of the pilot arrangement, including its continuation, and reclassifications made, at its fortieth session (1993);

17. Endorses the Administrator's proposals in paragraphs 42 and 43 of document DP/1992/40, specifically relating to increased transparency of the nature of the services rendered by United Nations Development Programme field offices to non-United Nations Development Programme financed programmes and the associated costs;

18. Reiterates its request, contained in decision 91/46, for an analysis of appropriate sources of funding for these elements to be presented at its fortieth session (1993);

19. Approves, in principle, the Administrator's proposals relating to the Office for Project Services contained in paragraphs 49, 51 and 59 of document DP/1992/40;

20. Requests the Administrator to consider further the possibility of a differentiation in the treatment of the Office for Project Services budgetary and extrabudgetary staff;

21. Requests the Administrator to report on these matters at its fortieth session (1993), also taking into account the wider review called for by decision 92/....;

22. Requests the Administrator to include management service agreements expenditure within the data on the net flow of resources provided in annex 1 of the annual review of the financial situation, and to provide an analysis of the effects of the composition of these resources on the United Nations Development Programme field structure and on the (governance/management) of the United Nations Development Programme country programmes.

23. Takes note of the Administrator's proposals in paragraph 64 of document DP/1992/40, relating to the establishment of extrabudgetary posts in the Inter-Agency Procurement Services Office;

24. Requests the Administrator to keep under review the question of savings through mergers of the administrative and other functions of the trust funds.

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ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Ms. Heather DOWSETT (New Zealand)

CHAPTER III. Financial, budgetary and administrative matters

C. Audit reports and other matters

Audit reports

1. For its consideration of agenda item 3 (a), the Budgetary and Finance Committee had before it the report of the Administrator on audit reports contained in document DP/1992/41, covering the interim report of UNDP and also further information on follow-up action taken in response to Governing Council decision 91/47 and General Assembly resolution 46/183. It also had before it the financial reports and audited financial statements and reports of the Board of Auditors (A/46/5/Add.1) and the report of the Advisory Committee on Administrative and Budgetary Questions (A/46/510). It also considered documents DP/1992/42 and DP/ 992/42/Add.1, containing the audited financial statements of the executing agencies for the year ended 31 December 1990; reports of the external auditors thereon; and the comments of the Administrator on the audit reports of the executing agencies.

2. The Director, Division of Finance, made an introductory statement on the preparation and structure of document DP/1992/41. He noted that not all of the recommendations made by the auditors and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) could be implemented by UNDP alone. In particular, the four items identified in the document under the subject of agency accountability required the input of the executing agencies before UNDP could respond.

3. These four items were discussed at a meeting of the Consultative Committee on Adminstrative Questions (Finance and Budget) CCAQ(FB) in March 1992 (see report of the meeting in document ACC/1992/11). UNDP will conclude a standard basic executive agency agreement with the World Health Organization (WHO) shortly and with the Internation Labour Organisation (ILO) and Food and Agriculture Organization (FAO) before the end of the year. Exchanges of letters between UNDP and the United Nations Conference on Trade and Development (UNCTAD) and Economic and Social Commission for Western Asia (ESCWA) are expected within the near future.

4. Several agencies confirmed that their auditors already carry out audits of a very comprehensive nature and that additional reports would involve extra costs. They were also reluctant to pursue the question of the routine provision of audit reports and management letters on agency activities to the external auditors of UNDP without a formal recommendation of the Panel of Auditors. The agencies also confirmed that in their opinion the accounting policy and reporting instructions covering unliquidated obligations were clear and that any deficiencies resulted from faulty application of those instructions.

5. The Director of Finance reported that field missions to eight countries to evaluate the Economists Programme in Africa would be completed in June 1992, with a consolidated report scheduled for completion by September 1992. The mission team was meeting with the external auditors to enable the auditors to communicate clearly their concerns.

6. With respect to comments on the office for Project Services (OPS), he provided additional information on the interim arrangements regarding the functions of the Division Chief and explained that Division Chiefs were in some cases acting as project management officers pending the recruitment of the latter following the recent restructuring. On the ex post facto signature of contracts, he indicated that there appeared to be a problem of definition about when a valid contract came into effect. The matter was being discussed with the external auditors.

Summary discussion of the Committee

7. Members commended the work of the auditors, noting the scope and comprehensive nature of the interim report. Members expressed their concern that WHO, ILO and FAO had not completed the standard basic executing agency agreement as requested by the auditors and the General Assembly. One member indicated that failure to complete the arrangement should disqualify an agency from executing UNDP-funded activities.

8. While members recognized the existing initatives by OPS, they sought additional clarification of the responses provided, particularly with regard to control over the acceptance of projects, programme planning and implementation. Some members were not convinced that the responses provided by OPS to the audit comments tackled all problems and considered that a more comprehensive approach was needed. Another member asked that a full report on the steps taken by OPS to implement the actions called for by the auditors be provided to the Governing Council at its fortieth session (1993).

9. Additional questions were asked by members on the Economists Programme in Africa; steps taken to deter fraud; the additional workload related to the establishment of new trust funds; the status of the preparation of common accounting standards; and the audit requirements for, and the audit frequency of, nationally executed projects. Members also sought assurances that the auditing requirements under the programme approach would ensure the efficiency and effectiveness of this modality.

Response of the Administration

10. The Director of Finance responded to the questions on OPS indicating that the workload of project management officers could be addressed only by a selective increase in staffing levels or by reducing the volume of activities. The latter would mean limiting the approval of projects. He further explained that the recent restructuring of OPS was intended to make the office more efficient and more responsive. He also outlined the systems development activities undertaken to enhance project management, including the development of three main systems: personnel; procurement; and budget monitoring. The first two are scheduled for completion in 1992 and the third in 1993.

11. The Director provided information on the status of the development of common accounting standards as reported at the March 1992 session of CCAQ(FB). The working party was meeting regularly, with the next meeting to be held in May,1992, in Rome.

12. The Director reviewed the steps taken to respond to the questions on fraud and the implementation of General Assembly resolutions 44/183 and 46/183. Ad hoc committees were being formed to review potential cases of fraud and assess personal financial responsibility. Steps had been taken to remind staff of their responsibilities and to ensure that staff members reporting an incident of fraud would be protected.

13. The Director reported that the Administrator believed existing arrangements provided sufficient funds to cover the incremental workload associated with the administration of trust funds. He cited the enhancements made to existing procedures and information systems to eliminate duplicate data entry. UNDP also intended to incorporate trust funds in the redesign of the programme and project management system, thereby further reducing workload.

14. Discussions with the external auditors had been held to attempt to establish the acceptable percentage audit of nationally executed projects. With such a change, UNDP could meet those audit requirements and thus remove one reason for the audit qualification of the UNDP accounts. Implementation of the programme approach would not change existing audit requirements nor would it detract from the auditor's ability to ensure compliance with UNDP's Financial Regulations and Rules.

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ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Ms. Heather DOWSETT (New Zealand)

CHAPTER III. Financial, budgetary and administrative matters

C. Audit reports and other matters

Status of management services, report of the Administrator

1. For its consideration of agenda item 3 (c), the Budgetary and Finance Committee had before it the report of the Administrator contained in document DP/1992/43.

2. The Director of the Office for Project Services (OPS) introduced the item, and said he was pleased to report that the value and applicability of the Management Service Agreements (MSAs) as a means to assist developing

countries in utilizing foreign assistance, both multilateral and bilateral, in a better and more expeditious manner, had been borne out by experience.

3. He stressed that concerns expressed by Governing Council members regarding MSAs had been effectively addressed over the years, notably the perceived risk that activities under MSAs would rather reflect donor interests, and not be fully compatible with the development priorities of UNDP recipient countries. He considered that the risk had been practically eliminated. In the first place, more and more MSAs were supporting multilaterally funded projects, ranging from those of the International Fund for Agricultural Development (IFAD) to the World Bank and regional development banks. Furthermore, bilateral MSAs were now systematically scrutinized together with the recipient countries to make sure that they "multilateralized bilateral aid" rather than "bilateralized multilateral capacity".

4. As regards another perceived concern, that MSAs would be designed and handled in an isolated manner without any linkage to UNDP priorities and activities, the Director of OPS reassured members that MSAs were accepted only after thorough examination and clearance by UNDP field offices and bureaux. On many occasions MSAs had been directly linked to UNDP programmes, thereby enhancing the coordinating role played by UNDP in the countries concerned.

5. The Director concluded that MSAs brought additionality, and also helped to fill crucial management gaps in project implementation, thus supporting national execution. He also emphasized that, to the extent possible, OPS would provide managerial services in combination with national capacity-building efforts.

Summary of the discussion of the Committee

6. In general, the members of the Committee acknowledged the usefulness of MSAs. Most of the members welcomed the trend towards "multilateralism of bilateral aid". Members endorsed the continuation of efforts to ensure complementarity with UNDP programmes and simultaneously to encourage the national execution of capacity-building. One delegation welcomed measures to strengthen OPS quality control mechanisms as part of the recent restructuring of the Office.

7. One member expressed concern about the increasing use of the MSA modality by bilateral donors. Adherence to the newly established project acceptance policy was emphasized. Another member pointed out the benefits of the

modality for donors, including effective and efficient project execution, where no bilateral capacities existed.

8. Several members stressed the need for continued compliance by OPS with the agreed guidelines on MSAs. A number of members considered that further efforts should be made to ensure full financial accountability and recovery of delivery costs. One member suggested that fees should be established on the basis of general guidelines rather than on a project-by-project basis.

9. Clarifications were sought of procurement rules and regulations regarding international bidding and hiring of consultants under MSAs, notably in relation to projects funded by the World Bank, the International Development Association (IDA) and the International Development Bank (IDB). Support was expressed for measures to ensure that developing countries were fully involved in the international bidding process. One member pointed out that fuller use could be made of international competitive bidding procedures.

10. One member expressed concern about the impact of extra-budgetary activities on the central funding and coordinating role of UNDP. Some members suggested that the future role of OPS, within UNDP and the United Nations system of operational activities, should be the subject of a comprehensive review at the next session of the Governing Council. One member suggested that the impact of OPS services might be discussed in that context. With regard to full cost recovery, it was suggested that UNDP should provide information showing the magnitude of the income in question on a country-by-country basis, together with an analysis of the consequences of the income for the programming process at the field level. One member expressed the view that the item on management services should be considered by the Governing Council every three years, rather than biennially, as at present.

11. One member expressed the hope that greater emphasis would be given to the issue of gender balance for training awards.

Response of the Administrator

12. The Director of OPS took note of the recommendations made by the members, particularly the need to step up project evaluation efforts. He said that effective evaluation was being given constant attention. The criteria set out in the policy acceptance strategy were also being applied to MSA projects. He added that, in general, as a result of closer scrutiny of projects submitted to OPS for execution, the number of projects accepted had decreased.

13. The Director provided additional information on the calculation of fees. This was undertaken on a project-by-project basis, but following a standard formula. The objective was full recovery of UNDP costs incurred both at headquarters and in the field.

14. On the question of procurement, he explained that OPS adhered strictly to rules for international competitive bidding when providing services to governments for multilaterally funded projects. He noted in that regard that IDA rules and UNDP rules were virtually identical, and that in fact an effective double check mechanism operated.

15. He pointed out that the allocation of fees between field offices and OPS headquarters was done on the basis of estimated actual costs, which varied with the scope and nature of the services provided.

16. The Director also indicated that training awards were allocated with due regard for gender balance. However, the selection of candidates proposed was largely done by the host countries, who should themselves be encouraged to focus more on gender balance.

Recommendation of the Committee

17. Following its consideration of the subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following draft decision:

The Governing Council,

Recalling its decision 88/54 of 1 July 1988, by which it requested the Administrator to report to the Governing Council every two years on the status of management services undertaken by the United Nations Development Programme,

Also recalling its decision 90/46 of 22 June 1990, by which the Governing Council approved the amended guidelines submitted to it on the provision of management services,

Recognizing the impact on the development process and on recipient countries arising from the complementarity of management services to United Nations Development Programme core programmes,

Stressing that the multilateral character of the United Nations Development Programme and its role as a central funding agency for technical cooperation should not be weakened by the use of Management Service Agreements,

Reaffirming its decision 91/48 of 21 June 1991, particularly paragraphs 2 and 3 thereof, in connection with management services agreements,

Also reaffirming the principle of the sole prerogative of the recipient countries to design, formulate and implement their priorities and programmes,

1. Concludes that:

(a) The principles and guidelines enumerated in Governing Council decision 83/5 and reaffirmed in decision 90/46 remain valid;

(b) Management services constitute, in principle, a practical and flexible mechanism to increase the capacity of recipient countries to absorb external assistance from both multilateral and bilateral sources;

(c) The use of management services enhances the overall aid coordinating role of United Nations Development Programme at the field level;

2. Requests the Administrator to continue to observe the principles and guidelines mentioned in paragraph 1 (a) above, and to use management services to enhance the positive effects described in paragraphs 1 (b) and 1 (c) above,

3. Authorizes the Administrator in the coming years to continue to respond to requests for management services in relation to programmes funded by sources other than the United Nations Development Programme, in line with the Governing Council guidelines;

4. Requests the Administrator to bear in mind that management services should be viewed as assistance to developing countries in response to their specific management needs, and urges the Administrator to ensure that Management Service Agreements are implemented with a view to ensuring national capacity-building, and are not detrimental to that process;

5. Requests the Administrator to adhere strictly to the rules of international competitive bidding when providing services for multilaterally funded Management Service Agreements, and to ensure that the appropriate United Nations Development Programme contract review process is followed;

6. Recommends that in the future a report on management services be submitted to the Governing Council as part of the annual financial report and audited financial statements and as part of the annual report of the Office for Project Services, to be reviewed triennially by the Council, notwithstanding any overall review of the role of the Office for Project Services in the future.